

Message Text

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 IO-10 /099 W

----- 026569

R 241850Z DEC 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 3113

INFO AMCONSUL RIO DE JANEIRO

C O N F I D E N T I A L SECTION 1 OF 2 BRASILIA 10983

E. O. 11652: GDS

TAGS: PINT, BR

SUBJECT: GOVERNOR PAULO EGYDIO REVIEWS ECONOMIC/POLITICAL
SITUATION

REFS: A. SAO PAULO 2548 NOTAL, B. SAO PAULO 1453

FOLLOWING IS PARTIAL RETRANSMITTAL OF SAO PAULO 2677 REPORTING
RECENT COMMENTS OF SAO PAULO STATE GOVERNOR TO CONGEN OFFICERS
ON 1976 POLITICAL AND ECONOMIC PROSPECTS:

QUOTE

1. SUMMARY: 1976 WILL BE A DIFFICULT YEAR ECONOMICALLY AND
1977 WILL BE A RECOVERY YEAR. POLITICS RATHER THAN ECONOMICS
ARE THE GOVERNOR'S CONCERN. HE ASSUMES THAT THE ARENA
WILL WIN A MAJORITY OF THE MAYORALITY CONTESTS IN 1976, IF
ELECTIONS ARE HELD. HE FAVORS ABOLITION OF BOTH EXISTING
POLITICAL PARTIES AS SOON AS POSSIBLE AND NO LATER THAN JULY 1,
1976, WITH THE LOCAL ELECTIONS HELD ON A NON-PARTY BASIS. HE
HAS CERTAIN OTHER SUGGESTIONS FOR CONSTITUTIONAL REFORM,
AND BELIEVES THAT A NON-PARTY ELECTION FOR A CONSTITUTIONAL
CONVENTION IN NOVEMBER 1978 WOULD NOT BE FEASIBLE. THERE IS
A DEEP SPLIT IN THE ARMED FORCES BETWEEN THE SENIOR OFFICERS
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AND THE JUNIORS, WITH THE LATTER FAVORING A PHILOSOPHY BEST

DESCRIBED AS NATIONAL SOCIALISM. THE YOUNG OFFICERS WILL FOLLOW THEIR TOP COMMAND IN ANY ANTI-COMMUNIST MEASURES, BUT THEIR ACTIONS ARE CREATING THE MONSTER WHICH MAY EVENTUALLY ENGULF BOTH GROUPS. END SUMMARY.

2. GOVERNOR PAULO EGYDIO GAVE ME HIS USUAL FRANK EVALUATION OF THE POLITICAL/ECONOMIC SITUATION IN BRAZIL DURING A 45-MINUTE YEAR-END CALL.

3. ECONOMICALLY, THE GOVERNOR SEES A 4 PERCENT GROWTH THIS YEAR WITH LESS THAN 3 PERCENT FOR BRAZIL IN 1976. HE EXPECTS INFLATION TO BE ABOUT 30 PERCENT AND MONETARY SUPPLY GROWTH TO BE ABOUT THE SAME, NOT THE 20 PERCENT AND 20 PERCENT ANNOUNCED BY THE FEDERAL GOVERNMENT. HE IS CONCERNED ABOUT UNEMPLOYMENT IN THE INDUSTRIAL AREAS OF SAO PAULO, BUT IS HOPING THAT GOD WILL AGAIN BE BRAZILIAN AND SEND RAINS IN JANUARY AND DRY WEATHER IN MARCH SO THAT THE CROPS IN SAO PAULO STATE WILL FLOURISH AND BE HARVESTED IN GOOD ORDER. USING THAT ASSUMPTION AND ANOTHER THAT HE WILL BE ABLE TO BALANCE HIS STATE BUDGET IN 1976 AND 1976, THE GOVERNOR IS PLANNING PUBLIC WORKS WHICH WILL, HE BELIEVES, ABSORB THE UNEMPLOYED UNSKILLED LABOR WHICH WILL INEVITABLY APPEAR OTHERWISE IN THE INTERIOR. HE IS REALLY CONCERNED ABOUT THE PROSPECTS OF URBAN UNEMPLOYMENT IN THE SAO PAULO/CAMPINAS/SAO JOSE DOS CAMPOS/SOROCABA AREAS AS A RESULT OF LAYOFFS RESULTING FROM THE DOWNTURN IN THE ECONOMY CAUSED BY THE BALANCE OF PAYMENTS CONSTRAINTS. HIS CONCERN IS PARTICULARLY FOR THE PERIOD MARCH THROUGH SEPTEMBER 1976, AND HE NOTES THE POLITICAL IMPLICATIONS OF SUCH UNEMPLOYMENT ON THE NOVEMBER 1976 ELECTIONS. HE BELIEVES THAT 1976 WILL BE A VERY DIFFICULT YEAR ECONOMICALLY AND THAT 1977 WILL ALREADY SHOW SIGNS OF SUBSTANTIAL RECOVERY.

4. IF THE MUNICIPAL ELECTIONS ARE HELD IN NOVEMBER 1976 WITH THE PRESENT PARTY STRUCTURE, THE ARENA WILL WIN A MAJORITY OF THE MAYORALITY CONTESTS, BUT THE MDB WILL WIN OVERWHELMING MAJORITIES ON THE CITY COUNCILS IN THE MAJOR CITIES. THE TOTAL NUMBER OF VOTES CAST FOR THE MDB WILL BE CONSIDERABLY LARGER NATIONALLY THAN THE NUMBER CAST FOR ARENA, BUT THE SPREAD WILL NOT BE AS GREAT AS BETWEEN THE

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TWO PARTY TOTALS IN THE NOVEMBER 1974 SENATORIAL ELECTIONS. BOTH PARTIES WILL CLAIM VICTORY AND USE DIFFERENT STATISTICAL COMPUTATIONS, BUT THERE WILL BE NO QUESTION THAT THE MDB WILL HAVE WON MANY MORE MAYORALITY ELECTIONS THAN IN 1972. THE RESULTS WILL NOT GIVE THE ARENA THE NATIONAL MANDATE WHICH IT SEEKS TO BRING ABOUT FUNDAMENTAL CONSTITUTIONAL CHANGES.

5. THEREFORE, GOVERNOR MARTINS SEES FOUR POLITICAL OPTIONS: (1) A RADICAL, TOTALITARIAN CRACK DOWN FROM THE RIGHT; (2) THE SCENARIO OUTLINED IN SAO PAULO' 2548, WHICH THE GOVERNOR CONFIRMED IN DETAILS AS THE SCHEME MOST INTENSIVELY AND EXTENSIVELY DISCUSSED IN THE PRESIDENTIAL PALACE IN BRASILIA; (3) HIS OWN SCHEME, WHICH HE IMPLIED HE HAS THUS FAR BEEN UNSUCCESSFUL IN SELLING (SEE BELOW); AND (4) THE "ROMANTIC" NOTION OF RETURNING TO A FREE, OPEN AND DEMOCRATIC SYSTEM (AS WE WOULD UNDERSTAND THE TERM).

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6. SINCE THE GOVERNOR REJECTS BOTH THE TOTALITARIAN AND THE DEMOCRATIC HYPOTHESES, HE FAVORS A "HYBRID" SYSTEM. HE REJECTS THE SCENARIO IN SAO PAULO'S 2548 AS TOO LATE. HE BELIEVES THAT THE BRAZILIAN GOVERNMENT IS ALREADY IN THE "IMPASSE", AND THAT THE ONLY SOLUTION IS TO ABOLISH THE TWO EXISTING POLITICAL PARTIES NOW, OR AS SOON AS POSSIBLE, BUT NO LATER THAN JULY 1, 1976. QUERIED AS TO WHETHER MARCH 1, 1976, WAS NOT TOO LATE FOR HIS THESIS, THE GOVERNOR CAME UP WITH THE JULY 1, 1976, DATE AS THE OUTSIDE DATE. AFTER ABOLITION OF THE EXISTING POLITICAL PARTIES, THE GOVERNOR WOULD ALLOW THE NOVEMBER 1976 MAYORALITY AND MUNICIPAL ELECTIONS TO TAKE PLACE ON THE BASES OF NON-PARTY CANDIDATES. THEREAFTER, HE WOULD ALLOW THE CREATION OF UP

TO FOUR OR FIVE NEW NATIONAL POLITICAL PARTIES ON THE BASIS OF A MINIMUM NUMBER OF MAYORS, STATE DEPUTIES, AND NATIONAL CONGRESS MEMBERS PER PARTY. (HOW HE WILL GET THE EXISTING PARTIES TO DIVIDE UP IN THIS CONGENIAL WAY THE GOVERNOR DID NOT EXPLAIN, ALTHOUGH HE INSISTED THAT FOUR OR FIVE PARTIES REPRESENTED THE "NATURAL" TENDENCIES OF THE BRAZILIAN ELECTORATE. HE THOUGHT THAT ABOUT 50 MEMBERS OF THE NATIONAL CONGRESS WOULD BE RIGHT FOR EACH PARTY, AS A MINIMUM.) TO THIS POLITICAL POTPOURRI, THE GOVERNOR WOULD ADD A SYSTEM OF ELECTION ON TWO LEVELS TAKEN EITHER

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FROM THE U.S. PRIMARY ELECTION MODEL OR FROM THE FRENCH SYSTEM. HE WOULD ALLOW EACH OF HIS FOUR OR FIVE PARTIES TO SELECT ITS CANDIDATES IN FUTURE MAYORALITY, SENATORIAL, AND GUBERNATORIAL ELECTIONS IN SOME KIND OF PRIMARY ELECTION. HE EVEN SPEAKS OF TWO CANDIDATES FOR EACH ELECTED OFFICE FROM EACH PARTY. (I GAGE THE GOVERNOR A BRIEF EXPLANATION OF THE DIVERSITY OF OUR PRIMARY ELECTION PRACTICES AND TOLD HIM THAT DELEGATES TO THE NATIONAL CONVENTIONS WHICH IN TURN SELECTED THE PRESIDENTIAL CANDIDATES, WERE ALSO SELECTED BY PARTY CONVENTIONS IN UP TO 20 STATES. THIS CAME AS A SURPRISE.) THE GOVERNOR WOULD ALSO INSTITUTE FOR THE FUTURE SOME TYPE OF "MIXED" DISTRICT REPRESENTATION FOR THE STATE AND NATIONAL DEPUTIES. SOME DEPUTIES WOULD BE ELECTED BY GEOGRAPHIC AREAS AND SOME WOULD BE ELECTED AT LARGE, BUT JUST HOW THIS WOULD WORK THE GOVERNOR DID NOT DEFINE. FINALLY, THE GOVERNOR WOULD INCORPORATE INTO THE CONSTITUTION OF BRAZIL THE EXTRAORDINARY POWERS WHICH THE FEDERAL GOVERNMENT NOW HAS THOUGH AI-5. HE WOULD PLACE THE RESPONSIBILITY FOR EXERCISING THESE POWERS IN THE HANDS OF A COUNCIL OF STATE COMPOSED OF MEMBERS OF THE EXECUTIVE BRANCH, THE LEGISLATURE AND THE THREE ARMED FORCES, BUT HE WOULD DEFINE THE CONDITIONS WUNDER WHICH THESE POWERS WOULD BE EXERCISED IN A CONSTITUTIONAL AMENDMENT. (THE GOVERNOR THUS ACCEPTS IN LARGE MEASURE THE THESIS ABOUT A COUNCIL OF STATE WHICH HIS ADVISER LUIS ARROBAS MARTINS HAS BEEN ADVOCATING IN PUBLIC IN RECENT WEEKS.)

7. THE GOVERNOR IS VERY CONCERNED THAT THE TOP FOUR STAR GENERALS MAY TAKE MATTERS INTO THEIR OWN HANDS IN THE FORESEEABLE FUTURE. HE CORRECTED MY SUGGESTION THAT THERE WOULD BE A PROFOUND CHANGE IN THE TOP COMMAND IN THE NEXT TWO YEARS BY SAYING, "NO, IN THE NEXT 11 MONTHS." HE DOES NOT SEE A NATURAL LEADER, AND THIS HE BELIEVES IS THE NATIONAL SALVATION.

8. ON THE OTHER HAND, THE GOVERNOR BELIEVES THAT THE BULK OF THE OFFICER CORPS, UP THROUGH MAJORS, IS PROFOUNDLY INFLUENCED BY "NATIONALISTIC" AND DISTRIBUTIVISTIC" CONCEPTS.

NATIONAL SOCIALISM WOULD NOT BE FAR FROM A REALISTIC DESCRIPTION OF THEIR PHILOSOPHY. MANY HAD VOTED FOR THE MDB IN THE LAST ELECTIONS, HE NOTED. THE YOUNGER OFFICERS WERE DEEPLY
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"ANTI-COMMUNIST," BUT THEIR IDEAS WERE MARXIST. THEY WANTED TO INTERVENE IN NATIONAL LIFE. THEY WANTED TO CLOSE THE UNIVERSITY IN SAO PAULO WHEN THERE WAS TROUBLE THERE. THEY WERE AIDED AND ABETTED BY A LARGE SECTOR OF SAO PAULO INDUSTRIALISTS WHO WERE INTERESTED IN ORDER AND FEARED STRIKES. THE YOUNG OFFICERS WERE INTERESTED IN EXTENDING STATE CONTROL OVER INDUSTRY AND WERE VERY MUCH OPPOSED TO MULTI-NATIONAL COMPANIES. ONE OFFICER HAD TOLD THE GOVERNOR THAT NO ONE IN INDUSTRY SHOULD EARN MORE THAN 1 1/2 TIMES THE SALARY OF A FOUR STAR GENERAL. SUCH A LIMITATION SHOULD BE IMPOSED BY LAW. NEVERTHELESS, THE GOVERNOR DOES NOT SEE A COMMON CAUSE BETWEEN THE MILITARY AND THE MDB. IF THE POLITICAL SITUATION WOULD BE ALLOWED TO DEVELOP FOR EIGHT OR TEN YEARS UNDER THE PRESENT RULES, THEN THE MDB AND THE PRESENT YOUNG MILITARY WOULD BE NATURAL ALLIES. BUT SOMETHING MUST BE DONE NOW. THE GENERALS AND COLONELS ARE IMPATIENT AND KNOW HOW THEIR YOUNGER OFFICERS FEEL.

9. THE GOVERNOR BELIEVES THAT THE GENERALS HAVE ATTEMPTED TO FORCE HIS HAND DURING THE SAO PAULO UNIVERSITY CRISIS, DURING THE ARRESTS OF UP TO 70 MEMBERS OF THE MILITARY POLICE AND DURING THE RECENT HERZOG AFFAIR. THEY HAVE URGED STRONG INTERVENTION IN EACH CASE. STRONG MEASURES, WOULD HAVE PLAYED INTO THE HANDS OF THE COMMUNISTS, THE GOVERNOR BELIEVES, AND THE TACTICS ADOPTED BY THE MILITARY IN THE THREE CRISIS HAVE ALREADY STRENGTHENED THE OPPOSITION TO THE GOVERNMENT AND THE "COMMUNISTS". HE SAYS THAT THE YOUNGER OFFICERS WERE WILLING TO GO ALONG WITH THE HIGH COMMAND IN EACH OF THESE CASES BECAUSE THEY FAVOR ACTION AND A STRONG POLICY, NOT REALIZING THAT THEY ARE CREATING THE OPPOSITION WHICH WILL EVENTUALLY TOPPLE THEM FROM POWER. AGAIN AND AGAIN, THE GOVERNOR REFERRED TO THE MFA SENTIMENT IN THE OFFICER CORPS.

10. I SPECIFICALLY ASKED THE GOVERNOR WHETHER THERE WERE ANY POLITICAL SCENARIOS OTHER THAN NUMBERS 2 AND 3 IN PARA 5 ABOVE UNDER CONSIDERATION IN BRASILIA. HE SAID NO, EXCEPT FOR THE ALTERNATIVES OF DICTATORSHIP, WHICH HE REJECTED UNSOUND FOR THE COUNTRY, AND THE ROMANTIC NOTION OF RETURNING TO A FULL DEMOCRATIC SYSTEM. HE
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REITERATED THAT HE DID NOT CONSIDER EITHER OF THESE TWO
SOLUTIONS LIKELY. UNQUOTE
CRIMMINS

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